



215 W. Philadelphia Avenue
Boyertown, PA 19512

610-404-4000
FAX: 610-367-1207

ORIGINAL

RECEIVED

NOV 13 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 13, 1997

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Re: Comments of Conestoga Wireless Company
Reauction of Broadband PCS C Block Spectrum
DA 97-342, WT Docket 97-82

Dear Ms. Salas:

In this letter, Conestoga Wireless Company submits its comments on the Commission's proposals for the reauction of broadband PCS C Block licenses and disaggregated spectrum which will be returned to the FCC. Conestoga Wireless is a small business entrepreneur which was recently granted 10 MHz broadband licenses on the D Block in the BTAs of Reading, Williamsport and Pottsville, Pennsylvania, and an F Block license in the BTA of Sunbury, Pennsylvania. Conestoga participated in the C Block auction but dropped out of the bidding when the prices in its markets of interest became unreasonable and exceeded what the Company's business plan would allow.

No. of Copies rec'd
List ABCDE

0210

Conestoga supports the Commission's proposal to eliminate the installment payment plan for any reauction of C Block spectrum. The availability of "no questions asked" government credit for 90% of an entrepreneur's net high bid amount was what allowed prices in the initial C Block auction to get out of hand, to the detriment of responsible entrepreneurs. However, the Commission should not adopt further changes to its auction rules, such as a minimum opening bid or license reserve price, or an increased upfront payment amount, since these changes are unnecessary to deter speculators and will only have the effect of restricting small business participation in the reauction. The Commission must take steps to protect the interests of legitimate small businesses that participated in the initial C Block auction, including those that were not successful bidders. Therefore the Commission should "grandfather" any businesses that participated in the initial C Block auction and allow such businesses to retain the small business status for which they qualified in a previous broadband PCS auction. New auction participants that qualify as a "very small business" should not be given any bidding advantage over small business participants in the reauction.

ELIMINATION OF INSTALLMENT PLAN

Conestoga Wireless strongly supports the Commission's proposal to eliminate the availability of an installment payment program for any

reauction of C Block spectrum. The availability of easy credit to any entrepreneur, regardless of whether they followed (or even had) a sound business plan, was the primary cause of overbidding in the initial C Block auction. Elimination of the installment program will force entrepreneurs to develop reasonable business plans and to have the discipline to follow them. Just as it is never appropriate for a Court to question the business judgment of a company's management, it would not be appropriate for the Commission to review an auction participant's business plan and scrutinize the business judgment of its principals. The only way to ensure that bidders behave rationally is by requiring them to test their business plan in the marketplace and obtain financing on their own. Investors and lenders are the true experts in this regard. After the experience of the initial C Block auction, the financial community will carefully scrutinize the business plans of auction participants and encourage bidders to place rational limits on their bidding.

NO MINIMUM OPENING BID OR RESERVE PRICE

Elimination of the installment payment program and restricting participation by defaulting bidders are the only corrections which the Commission needs to make in order to ensure that bidding in the C Block reauction remains under control. The Commission should not try to set a minimum opening bid or firm reserve price for any C Block licenses or

spectrum which comes available for reauction. This would be contrary to the public interest as well as the free market principles upon which the FCC's auction policies are based. The results of previous broadband PCS auctions, with revenues far in excess of FCC and Congressional projections, demonstrate that a minimum opening bid or reserve price is hardly needed to ensure that the public is fairly compensated for the value of the PCS spectrum. Broadband PCS spectrum simply does not raise the same concerns and is not as speculative an investment as WCS spectrum. Moreover, there is no way for the Commission to come up with a formula to calculate a minimum bid amount that would be appropriate for all licenses and disaggregated spectrum. The factors which go into the valuation of spectrum (*e.g.*, relocation costs, level of competition, population level and density, subscriber levels, subscriber revenues, etc.) are complex, and will vary widely from market-to-market.

The Commission's proposal to set minimum opening bids for each market at a level equal to 10% of the corresponding high bid for the market in the original C Block auction is equally inappropriate. Licensees will presumably return spectrum or default on their licenses if they had overbid or if the market valuation for the spectrum had changed significantly. For the Commission to set minimum opening bid or reserve price on the basis of information which has already been proven by the market to be incorrect makes no sense whatsoever.

NO INCREASE IN UPFRONT PAYMENT AMOUNT

The Commission has proposed to set the amount of the upfront payment for the reauction at \$.06 per MHz per pop, which is three times the upfront payment required for the initial C Block auction. However, Conestoga believes that the Commission should retain its \$.02 per MHz per pop formula from the initial C Block auction. Eliminating the availability of installment payments will act as sufficient deterrence to speculators and insincere bidders. Tripling the upfront payment amount is excessive and will restrict the ability of small businesses to participate in the reauction. While the Commission used the higher upfront payment amount for the D, E and F Block auction, it also made installment payments available to all entrepreneurs. Keeping a lower upfront payment amount will encourage more small businesses to participate and will ultimately lead to a more competitive auction, especially if the Commission eliminates installment payments, as proposed.

BIDDERS THAT QUALIFIED AS SMALL BUSINESSES IN THE INITIAL C BLOCK AUCTION SHOULD RETAIN THIS ELIGIBILITY FOR ANY REAUCION OF C BLOCK SPECTRUM

The Commission has proposed that all entrepreneurs, all entities that applied for the original C Block auction, and all current C Block licensees, with exceptions, be eligible to bid in the reauction. Conestoga generally

supports the Commission's proposal with the qualification that entities that qualified for small business status in the initial C Block auction should be able to retain this status for any reauction of C Block spectrum. This is the only way for the Commission to adequately protect the interests of legitimate small businesses that participated in the initial C Block auction and which were forced out of the initial C Block licensing opportunity by prices that were driven by large bidders who are now seeking relief from the FCC and bankruptcy courts.

RESTRICT PARTICIPATION IN REAUCION BY DEFAULTING BIDDERS

The FCC should restrict participation in the reauction to entities that have not defaulted on any FCC payments. While the Commission does not have the expertise nor the time to review each applicant's financial qualifications, it is reasonable for the Commission to presume that an entity's prior default on payments for an FCC license would make it unfit to acquire a reauctioned C Block license. Moreover, as indicated above, investors and lenders are in a much better position to review a bidder's financial and other qualifications, as well as a bidder's business plan, and these creditors will have a greater incentive to perform due diligence review if guaranteed financing from the government is not made available.

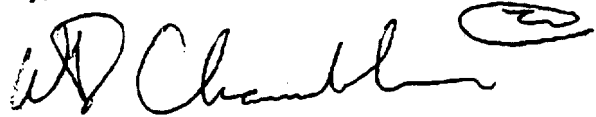
CONDUCT A SINGLE AUCTION FOR ALL LICENSES AND SPECTRUM RETURNED TO THE COMMISSION OR SUBJECT TO DEFAULT

Conestoga supports the Commission's proposal to include all C Block licenses and disaggregated spectrum, including licenses that are subject to default, in a single reauction. This will reduce the costs for small businesses, since they will not be forced to participate in multiple auctions, as well as increase the bidding options for all auction participants. This will also help to distribute the remaining entrepreneurs' block spectrum licensed quickly and mitigate any headstart enjoyed by cellular and other PCS licensees. Most importantly, a single reauction will serve to speed the provision of competitive wireless services to the public.

Conestoga Wireless played by the rules in all of the previous broadband PCS auctions and was able to pay the government in full for the F Block license which it won (and forego installment payments) because it followed a prudent business plan. Participants in any future reauction of C Block spectrum should be strongly encouraged, if not required, to do the same. Therefore, the Commission should eliminate installment payments but refrain from making any further rule changes which would restrict the ability of small businesses, and especially those that participated in the initial C Block auction, from participation in any reauction of C Block spectrum.

Conestoga respectfully requests that the Commission adopt rules for
the reduction of C Block spectrum in accordance with these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "W.D. Chamblin, III". The signature is fluid and cursive, with a small circular mark at the end.

William D. Chamblin, III
President